

FY 2004 - FY 2009
Capital
Appendices

Capital Improvements Plan: FY 2004 – FY 2009

Introduction

The District of Columbia's Capital Improvements Program (the "Capital Program") comprises the finance, acquisition, development and implementation of permanent improvement projects for the District's fixed assets. Such assets generally have a useful life of more than three years and cost more than \$250,000. The Capital Improvements Plan (CIP) document is a comprehensive, annually updated, six-year plan for the development, modernization or replacement of city-owned facilities and infrastructure. The CIP consists of the appropriated budget authority request for the upcoming fiscal year and projected funding/expenditure plans for the following five years. In most instances, the major portion of capital authority goes toward improvements or applicable activities associated with streets, bridges, government facilities, public schools, and recreational projects.

The text of the CIP is an important planning and management resource. It analyzes the relationship of projects in the capital budget to other developments in the District. It also describes the programmatic goals of the various District agencies and how those goals impact upon the need for new, rehabilitated or modernized facilities. Finally, it details the financial impact and requirements of all the District's capital expenditures.

The CIP is flexible, allowing project expenditures plans to be amended from one year to the next in order to reflect actual expenditures and revised expenditure plans. However, consistent with rigorous strategic planning, substantial changes in the program are discouraged. The CIP is updated each year by adding a planning year, and reflecting any necessary changes in projected expenditures schedules, proposed projects, and District priorities.

The CIP is used as the basis for formulating the District's annual capital budget. The Council, the Authority, and the Congress, adopt the budget as part of the District's overall six-year CIP. Following approval of the capital budget, Bond Act(s) and Bond Resolution(s) are adopted to finance the majority of projects identified in the capital budget. Inclusion of a project in a Congressionally adopted capital budget and approval of requisite financing gives the District the authority to expend funds for each project. The remaining five years of the program, called the "out-years," show the official plan for making improvements in District-owned facilities in future years.

The Need for Capital Investment

After several years of underfunding, the District has significantly increased its expenditures to reinvest in the District's infrastructure. However, even today, we are not able to fund all identified capital needs as competing needs pull in opposite directions.

The first limits how much we can spend while the second pushes us to increase capital funding levels to meet all infrastructural needs. As a result of these competing demands, the District has taken several actions to meet its priorities but also maintain a fiscally sound CIP. First, it has prioritized its capital projects and rescinded budget authority from those it deemed less important. Second, it has reallocated funding to high priority projects – both existing and new – so that it can meet its most pressing infrastructural needs.

Figure CA - 1

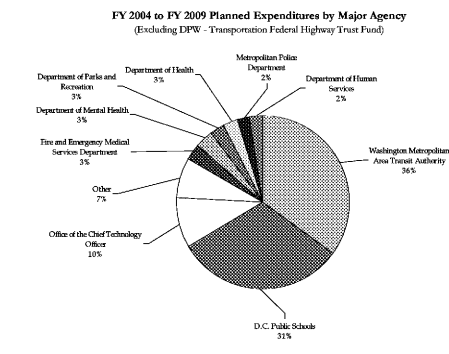


Figure CA - 2

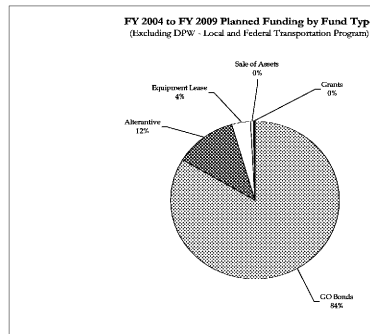


Figure CA - 3

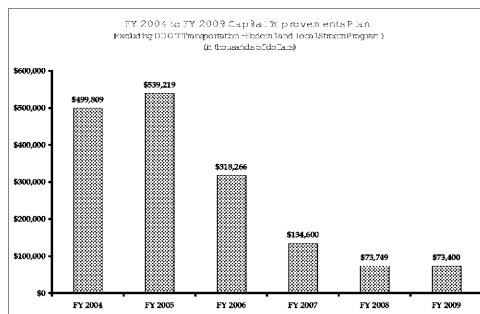
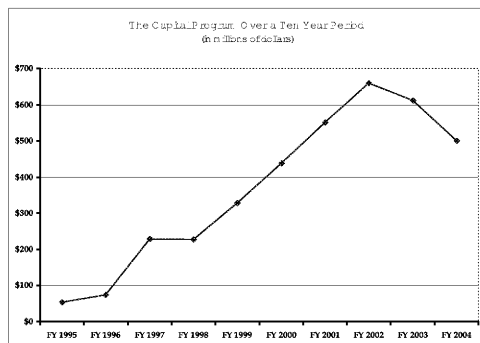


Figure CA - 4



The Current Capital Program for FY 2004 - 2009

Table CA - 1
Overview
Figure

Total Number of Projects	212
Number of On Going Projects	154
Number of New Projects	60
Total FY 2004 Planned Funding	\$527,699
Total FY 2004 Planned Expenditures	\$527,699
Total FY 2004 to FY 2009 Planned Funding	\$1,697,251
Total FY 2004 to FY 2009 Planned Expenditures	\$1,697,251
FY 2004 Appropriated Budget Authority Request	\$591,088,046
Total Number of Capital Funded Positions	614
FY 2004 Planned Debt Service	\$312,284,128
FY 2004 - FY 2009 Planned Debt Service	\$2,560,834,155
Percent of Total FY 2004 Capital Funding to Total FY 2004 General Fund Operating	6.7%

The FY 2004 - FY 2009 CIP proposes an increase in funding of \$678,464,000 over the next six fiscal years for 212 ongoing projects and 60 new projects. This includes a rescission of \$87,376,000 for a net increase of \$591,088,000. For FY 2004, the planned funding level is \$527,699,000. The proposed planned expenditures over the six-year period is \$1,697,251,000. For FY 2004, planned expenditures have decreased by 21% percent from FY 2003. Table CA-2 (Cash Flow Proforma) provides the District's FY 2004 - 2009 Capital Improvements Plan. This table identifies the sources and uses of funding over the six year period.

Figure CA-1 illustrates the planned expenditures between FY 2004 - FY 2009 by major agency. WMATA constitutes the majority of the planned expenditures, with a significant portion of their funding going towards the replacement of Metrorail cars and buses.

Figure CA-2 illustrates the planned funding by fund type between FY 2004 and FY 2009. This figure shows that the primary source of funding for the capital improvements program is through the issuance of general obligation bonds.

Figure CA-3 illustrates the planned expenditure and funding level for the District. This fig-

ure shows that all funding currently exists to support all planned expenditures.

Figure CA-4 shows that between 1995 and 2004, the District was reinvesting in its infrastructure after years of neglect in the 1990s. However, due to recent economic conditions as well as managing towards its guiding principles, overall funding in the CIP has declined over the past two years. While this is a trend that we hope to end in the near future, it is an important consideration as we seek to balance competing, but necessary, projects.

It is also important to note that the FY 2004 – FY 2009 CIP is a result of a collaborative process involving the Mayor, the City Administrator and Deputy Mayors, the Chief Financial Officer, and the agencies. This team, called the Budget Review Team, reviews all new capital requests, sets priorities, and approves funding levels. The work of this team resulted in new funding for 47 projects, increasing in funding for 14 existing projects, and a reduction or elimination of funding for 44 projects. About \$110 million was rescinded from current projects and reallocated to fund higher priorities.

Appropriated Budget Authority Request

The Appropriated Budget Authority is the spending threshold approved by Congress for the District's CIP. Each year, Congress grants the District spending authority to implement a District-wide capital program. Based on projected revenue collection, the District is authorized to issue general obligation bonds to finance its capital projects. In previous years, the District explored alternative methods of financing projects such as short term agreements, Master Equipment Lease, and pay-as-you-go financing. This year, we are continuing the use of these methods, especial with the Master Equipment Lease.

Generally, before a capital project is eligible for capital financing, the following basic criteria must be met:

- It must increase the useful life of the asset beyond five years
- Its dollar threshold must be greater than \$250,000, and

- The asset must be affixed to a permanent structure.

Projects that fail to meet these minimum standards must seek alternative funding methods.

The District's FY 2004 appropriated budget authority request includes a request of \$678,464,000 of new funding and a rescission of \$87,376,443 for a net increase of \$591,088,000. Table CA-3 provides a complete listing of the appropriated budget authority request.

FY 2004 Operating Budget Impact

As mentioned earlier, each \$15 million in borrowing has a \$1 million impact on the operating budget for debt service. This principle constitutes the operating budget impact of the capital budget. In other words, the operating budget impact is the debt service cost, paid from Local revenue, associated with issuing general obligation bonds to finance the CIP. While there are other sources of funding for projects, such as Master Equipment Lease, tobacco securitization, federal grants, and the Highway Trust Fund, general obligation bonds constitute the majority of the funding. Table CA-4 shows the overall debt service funded in the FY 2004 operating budget.

Table CA-2

Capital Fund Proforma (\$000)

	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 04 - FY 09 Total
Sources							
Long-term GO Bonds	387,369	466,821	290,774	121,921	64,000	64,000	1,394,885
Alternative Financing	125,061	72,699	23,092	3,279	349	0	224,480
Grants	687	3,467	2,150	0	0	0	6,304
Equipment Lease	10,582	9,400	9,400	9,400	9,400	9,400	57,582
Sale of Assets	4,000	5,000	5,000	0	0	0	14,000
Total Funding	527,699	557,387	330,416	134,600	73,749	73,400	1,697,251
Uses							
Office of the City Administrator	6,004	729	0	0	0	0	6,733
Office of Property Management	4,642	3,909	3,296	1,000	0	0	12,847
Office of the Chief Financial Officer	26,015	7,700	600	0	0	0	34,315
Office of Planning	2,000	0	0	0	0	0	2,000
Com. on the Arts and Humanities	985	995	705	950	0	0	3,635
Office on Aging	450	475	576	0	0	0	1,502
Office of the Corporation Counsel	687	3,467	2,150	0	0	0	6,304
D. C. Public Library	3,810	0	0	0	0	0	3,810
Department of Employment Services	800	0	0	0	0	0	800
Consumer & Regulatory Affairs	1,424	754	0	0	0	0	2,178
Dept. of Housing and Community Dev..	5,497	2,500	2,500	0	0	0	10,497
Office of Economic Development	4,000	5,000	5,000	0	0	0	14,000
Metropolitan Police Department	15,682	5,200	5,200	5,200	5,200	5,200	41,682
Fire and Emergency Medical Svcs..	15,367	14,340	13,611	4,200	4,200	4,200	55,917
DC Department of Corrections	5,640	1,800	1,800	590	0	0	9,830
Chief Medical Examiner	703	1,158	300	0	0	0	2,161
D.C. Public Schools	168,407	172,627	148,722	21,115	0	0	510,871
University of the District of Columbia	4,810	1,300	700	0	0	0	6,810
Department of Parks and Recreation	24,456	16,338	13,581	5,066	0	0	59,441
Department of Health	19,860	12,394	7,810	2,000	0	0	42,064
Department of Human Services	23,005	13,079	7,926	329	349	0	44,688
Department of Transportation	3,577	1,750	0	0	0	0	5,327
WMATA	45,000	205,700	100,700	94,000	64,000	64,000	573,400
Department of Public Works	6,260	4,000	0	0	0	0	10,260
Department of Motor Vehicles	11,046	6,750	0	0	0	0	17,796
Dept.. of Mental Health Services	37,541	15,612	500	150	0	0	53,803
Chief Technology Officer	90,031	59,984	14,740	0	0	0	164,581
Total Expenditures	527,699	557,387	330,416	134,600	73,749	73,400	1,697,251
Ending Balance	0	0	0	0	0	0	0

Table CA-3

FY 2004 Appropriated Budget Authority Request

Agency Code	Project Code	Sub Project	Project Name	A Local Funds	B Local Street Maintenance (ROW Fees)	C Highway Trust (Motor Fuel Tax)	D Federal Grants	E=(A+B+C+D) Total Authority Requested
Office of Property Management								
AM0	AA2	37	Complete Renovation & Modernization	-8,000,000	0	0	0	-8,000,000
AM0	GA2	22	Electrical Upgrade	-670,267	0	0	0	-670,267
AM0	GB1	05	Roof Replacement @ Various Buildings	-763	0	0	0	-763
AM0	N14	01	Government Centers St. Elizabeth's Hospital	-316,000	0	0	0	-316,000
AM0	N14	05	Improve Property Mgt. System (ITS)	-3,862,905	0	0	0	-3,862,905
AM0	N14	10	Electronic Security Standard and INT	-3,277,111	0	0	0	-3,277,111
AM0 Total				-16,127,045	0	0	0	-16,127,045
Office of the Chief Financial Officer								
AT0	BF2	04	Fin. Con. Sys. Impr	5,500,000	0	0	0	5,500,000
AT0	BF2	08	Fin. Con. Sys. Impr	4,700,000	0	0	0	4,700,000
AT0	BF2	11	Fin. Con. Sys. Impr	2,000,000	0	0	0	2,000,000
AT0	CSP	02	Comp. Sys. Project	2,325,445	0	0	0	2,325,445
AT0	CSP	05	Comp. Sys. Project	6,000,000	0	0	0	6,000,000
AT0	CSP	40	Comp. Sys. Project	4,600,000	0	0	0	4,600,000
AT0 Total				25,125,445	0	0	0	25,125,445
D.C. Emergency Management Agency								
BN0	HA5	40	Microwave Backup System Implementation	-27	0	0	0	-27
BN0 Total				-27	0	0	0	-27
D.C. Commission on Art and Humanities								
BX0	AH7	17	Public Art Fund	-1,615,302	0	0	0	-1,615,302
BX0	AH7	22	Public Art Fund	-492,018	0	0	0	-492,018
BX0	AH7	23	Public Art Fund	-151,000	0	0	0	-151,000
BX0	AH7	24	Public Art Fund	-50,000	0	0	0	-50,000
BX0	AH7	25	Public Art Fund	-50,000	0	0	0	-50,000
BX0 Total				-2,358,320	0	0	0	-2,358,320
D.C. Office of Aging								
BY0	A05	02	Multipurpose Wellness CTR Ward 6-3,304,017	0	0	0	-3,304,017	
BY0	EA1	29	Ward 1 Senior Wellness Center	-3,545,000	0	0	0	-3,545,000
BY0	EA2	29	Ward 2 Senior Wellness Center	-3,545,000	0	0	0	-3,545,000
BY0	IT1	40	Continuity of Operations	1,501,500	0	0	0	1,501,500
BY0 Total				-8,892,517	0	0	0	-8,892,517
D.C. Public Library								
CE0	MLK	37	Martin Luther King Memorial Library	-6,464,869	0	0	0	-6,464,869
CE0 Total				-6,464,869	0	0	0	-6,464,869
Department of Employment Services								
CF0	FG3	40	OWC Case/Workflow Automation (AS/400 Replacement)	500,000	0	0	0	500,000
CF0	FG6	40	Infrastructure Modernization-Operations	300,000	0	0	0	300,000
CF0 Total				800,000	0	0	0	800,000

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Agency Code	Project Code	Sub Project	Project Name	A Local Funds	B "Local Street Maintenance (ROW Fees)	C Highway Trust (Motor Fuel Tax)	D Federal Grants	E=(A+B+C+D) Total Authority Requested
Department of Consumer and Regulatory Affairs								
CR0	CO3	40	Digitization of the Office of the Surveyor plat	1,928,000	0	0	0	1,928,000
CR0	RPD/EU1	00	Real Property Database	-2,500,000	0	0	0	-2,500,000
CR0 Total				-572,000	0	0	0	-572,000
Office of Corporation Counsel								
CB0	EN2	40	Child Support Enforcement System	6,304,000	0	0	0	6,304,000
CB0 Total				6,304,000	0	0	0	6,304,000
Department of Housing and Community Development								
DB0	033	64	FT Lincoln Utility	-1,200,000	0	0	0	-1,200,000
DB0	040	01	Affordable Housing	-500,000	0	0	0	-500,000
DB0 Total				-1,700,000	0	0	0	-1,700,000
Planning and Economic Development								
EB0	EA7	10	Neighborhood Revitalization	-1,000,000	0	0	0	-1,000,000
EB0	JA1	01	Demolition of the Convention Center	10,000,000	0	0	0	10,000,000
EB0	EB3	01	Neighborhood Revitalization	4,000,000	0	0	0	4,000,000
EB0 Total				13,000,000	0	0	0	13,000,000
Metropolitan Police Department								
FA0	CIF	01	Infrastructure Rehabilitation -VL	-10,869	0	0	0	-10,869
FA0	FRI	01	Base Building Renovation	-3,406,803	0	0	0	-3,406,803
FA0	ITI	01	Information Technology Initiative	-3,716,598	0	0	0	-3,716,598
FA0	KA2	40	Information Technology	500,000	0	0	0	500,000
FA0	P13	01	Central Cellblock Expansion Mun Ctr.	-4,048	0	0	0	-4,048
FA0	PEQ	20	Master Equipment Lease	31,200,000	0	0	0	31,200,000
FA0	PKP	29	SOD Design & Land Acquisition	4,000,000	0	0	0	4,000,000
FA0 Total				28,561,681	0	0	0	28,561,681
Fire and Emergency Medical Services Department								
FB0	206	1T	Information Technology	-10,000	0	0	0	-10,000
FB0	206	30	Fire Apparatus	23,181,796	0	0	0	23,181,796
FB0	27	8	F27-08 Vehicle Exhaust Ventilation Systems	754,934	0	0	0	754,934
FB0	LA1	37	Engine 01	3,006,231	0	0	0	3,006,231
FB0	LA7	16	E-7/Fleet Maintenance Facility	782,118	0	0	0	782,118
FB0	LA7	18	E-7/Fleet Maintenance Facility	329,612	0	0	0	329,612
FB0	LA7	22	E-7/Fleet Maintenance Facility	1,305,328	0	0	0	1,305,328
FB0	LA9	37	Engine 09	2,222,064	0	0	0	2,222,064
FB0	LB1	37	Engine 10	242,507	0	0	0	242,507
FB0	LB6	37	Engine 15	3,685,546	0	0	0	3,685,546
FB0	LC4	37	Engine 22	7,178,503	0	0	0	7,178,503
FB0	LD2	37	Engine 29	3,413,221	0	0	0	3,413,221
FB0	LD937		Disaster Vehicle Facility	395,731	0	0	0	395,731
FB0 Total				46,487,591	0	0	0	46,487,591
Department of Corrections								
FL0	CR0	03	General Renovations	3,000,000	0	0	0	3,000,000
FL0	CR0	06	General Renovation of Sallyport @ DC JAIL	-2,600,000	0	0	0	-2,600,000
FL0	MA1	37	Rehabilitation of Building 25 DCGH Camp	-9,593,000	0	0	0	-9,593,000
FL0	MA2	03	Renovations at CDF	1,160,000	0	0	0	1,160,000
FL0	MA2	18	Renovations at CDF	3,000,000	0	0	0	3,000,000
FL0 Total				-5,033,000	0	0	0	-5,033,000

Table CA-3
FY 2004 Appropriated Budget Authority Request

Agency Code	Project Code	Sub Project	Project Name	A Local Funds	B "Local Street Maintenance (ROW Fees)	C Highway Trust (Motor Fuel Tax)	D Federal Grants	E=(A+B+C+D) Total Authority Requested
Department of Corrections								
FL0	CR0	03	General Renovations	3,000,000	0	0	0	3,000,000
FL0	CR0	06	General Renovation of Sallyport @ DC JAIL	-2,600,000	0	0	0	-2,600,000
FL0	MA1	37	Rehabilitation of Building 25 DCGH Camp	-9,593,000	0	0	0	-9,593,000
FL0	MA2	03	Renovations at CDF	1,160,000	0	0	0	1,160,000
FL0	MA2	18	Renovations at CDF	3,000,000	0	0	0	3,000,000
FL0 Total				-5,033,000	0	0	0	-5,033,000
D.C. Courts								
FN0	B29	01	Central Recording Systems	-351,589	0	0	0	-351,589
FN0	B31	01	General Improvements Var D.C. Court Bldg	-649,744	0	0	0	-649,744
FN0 Total				-1,001,332	0	0	0	-1,001,332
Office of the Chief Medical Examiner								
FX0	001	01	Enhancements to Case Management	1,510,000	0	0	0	1,510,000
FX0	AA3	38	Forensic Lab	-5,614,000	0	0	0	-5,614,000
FX0	AA4	16	Facility Improvements	650,000	0	0	0	650,000
FX0 Total				-3,454,000	0	0	0	-3,454,000
University of the District of Columbia								
GF0	ET9	40	Higher Education Back Office	3,900,000	0	0	0	3,900,000
GF0 Total				3,900,000	0	0	0	3,900,000
Department of Parks and Recreation								
HA0	QA5	01	New construction Stoddert Rec. Center	6,400,000	0	0	0	6,400,000
HA0	QA3	38	Riggs LaSalle Rec Center	-4,392,000	0	0	0	-4,392,000
HA0	RA1	04	Mckinley Rec/Pool Rehabilitation	-147,573	0	0	0	-147,573
HA0	RE0	11	Kenilworth Parkside	-4,813,000	0	0	0	-4,813,000
HA0	RN0	09	Vehicle Replacement	-500,000	0	0	0	-500,000
HA0	RR0	02	Facility Renovation	-99,865	0	0	0	-99,865
HA0	RR0	06	Facility Renovation	-500,000	0	0	0	-500,000
HA0	RR0	07	Facility Renovation	-2,000,000	0	0	0	-2,000,000
HA0	RR0	10	Facility Renovation	-978,320	0	0	0	-978,320
HA0	RR0	12	FT GREBLE REC CNTR	-131,281	0	0	0	-131,281
HA0	RR0	15	PARK LIGHTING	-2,000,000	0	0	0	-2,000,000
HA0 Total				-9,162,039	0	0	0	-9,162,039
Department of Health								
HC0	D03	01	Facility Renovate Step -Down Telemetry	-13,000	0	0	0	-13,000
HC0	HY5	04	D.C. General Hospital	4,000,000	0	0	0	4,000,000
HC0	HY5	04	Renovate Detoxication Clinic @ D.C. GEN	-8,707	0	0	0	-8,707
HC0	R10	40	Integration Technology	5,000,000	0	0	0	5,000,000
HC0	R15	01	Integration Technology	2,000,000	0	0	0	2,000,000
HC0	R16	16	General Improvements	1,000,000	0	0	0	1,000,000
HC0	R17	17	Plumbing	1,000,000	0	0	0	1,000,000
HC0	R18	13	General Improvements	3,000,000	0	0	0	3,000,000
HC0	R19	19	Lighting	1,200,000	0	0	0	1,200,000
HC0	R20	20	Emergency Systems	850,000	0	0	0	850,000
HC0	R21	39	Security Monitoring System	450,000	0	0	0	450,000
HC0	R22	07	Roof Replacement	460,000	0	0	0	460,000
HC0	R23	40	Laboratory Re-Engineering	6,000,000	0	0	0	6,000,000

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FY 2004 Appropriated Budget Authority Request

Agency Code	Project Code	Sub Project	Project Name	A Local Funds	B "Local Street Maintenance (ROW Fees)	C Highway Trust (Motor Fuel Tax)	D Federal Grants	E=(A+B+C+D) Total Authority Requested
HCO	R19	19	Lighting	1,200,000	0	0	0	1,200,000
HCO	R20	20	Emergency Systems	850,000	0	0	0	850,000
HCO	R21	39	Security Monitoring System	450,000	0	0	0	450,000
HCO	R22	07	Roof Replacement	460,000	0	0	0	460,000
HCO	R23	40	Laboratory Re-Engineering	6,000,000	0	0	0	6,000,000
HCO	R24	01	Electrical Renovations	300,000	0	0	0	300,000
HCO	R25	01	Mechanical Renovations	400,000	0	0	0	400,000
HCO	R26	01	Roof Replacements	750,000	0	0	0	750,000
HCO	R27	01	Windows Replacement	900,000	0	0	0	900,000
HCO	R28	01	Boiler Plant Renovations	3,354,000	0	0	0	3,354,000
HCO	R31	01	Elevator Renovations	400,000	0	0	0	400,000
HCO	RA1	40	BPR FPR VITAL RECORDS	-6,959	0	0	0	-6,959
HCO	RA4	40	Children Database	-3,967,627	0	0	0	-3,967,627
HCO	RA8	40	APRA Patient Records Systems	3,000,000	0	0	0	3,000,000
HCO Total				30,067,707	0	0	0	30,067,707
Department of Human Services								
JA0	H96	22	Bundy School	1,500,000	0	0	0	1,500,000
JA0	SB6	16	CCNV	1,800,000	0	0	0	1,800,000
JA0	SB6	22	CCNV	1,800,000	0	0	0	1,800,000
JA0	SE4	05	DC VILLAGE	650,000	0	0	0	650,000
JA0	SH4	15	2146 GEORGIA AVENUE, NW	650,000	0	0	0	650,000
JA0	SI4	38	PARCEL 38	7,000,000	0	0	0	7,000,000
JA0	SJ4	37	1355-57 New York Avenue, NW	6,803,250	0	0	0	6,803,250
JA0	SK4	37	801 East Building	3,900,000	0	0	0	3,900,000
JA0	SD4	38	LaCasa Homeless Shelter	7,250,000	0	0	0	7,250,000
JA0 Total				31,353,250	0	0	0	31,353,250
Department of Transportation								
KA0	CKL	24	LeDroit Streetscape Imp.	3,500,000	0	0	0	3,500,000
KA0 Total				3,500,000	0	0	0	3,500,000
WMATA								
KE0	SA2	02	Metrobus	64,900,000	0	0	0	64,900,000
KE0	SA3	01	Metrорail Rehab	76,800,000	0	0	0	76,800,000
KE0	SA3	05	Metrорail Rehab	231,200,000	0	0	0	231,200,000
KE0 Total				372,900,000	0	0	0	372,900,000
Department of Public Works								
KT0	FM5	01	Facility Construction	300,000	0	0	0	300,000
KT0	SW1	01	Solid Waste Transfer S	200,000	0	0	0	200,000
KT0	SW2	01	Solid Waste Reduction Center	4,100,000	0	0	0	4,100,000
KT0	SW4	01	SWMA - Solid Waste Management	4,000,000	0	0	0	4,000,000
KT0 Total				8,600,000	0	0	0	8,600,000
Department of Motor Vehicles								
KV0	MV9	01	REHAB. OF DMV Facility @ BRENTWOOD RD	-400,000	0	0	0	-400,000
KV0	VVA1	41	IT Infrastructure 301 C STREET N.W.	-268,707	0	0	0	-268,707
KV0	VVA2	41	65 K STREET NE	-113,230	0	0	0	-113,230
KV0	VVA4	26	SW Inspection Station	1,146,000	0	0	0	1,146,000
KV0	VVA5	40	IT Infrastructure	4,200,000	0	0	0	4,200,000
KV0	VVA6	40	IT Infrastructure	8,250,000	0	0	0	8,250,000
KV0	EQ7	01	Motor Vehicle Information SYS @ MUNICIPAL	-535,246	0	0	0	-535,246

Table CA-3

FY 2004 Appropriated Budget Authority Request

Agency Code	Project Code	Sub Project	Project Name	A Local Funds	B Local Street Maintenance (ROW Fees)	C Highway Trust (Motor Fuel Tax)	D Federal Grants	E=(A+B+C+D) Total Authority Requested
Commission on Mental Health Services								
RM0	HX4	01	Construct/Renovate New	3,100,000	0	0	0	3,100,000
RM0	HX4	03	Construct/Renovate New	5,500,000	0	0	0	5,500,000
RM0	XA5	37	ST. Elizabeth's Hospital General Improvements	10,859,166	0	0	0	10,859,166
RM0	XA6	27	St. Elizabeths Hospital Information System	2,300,000	0	0	0	2,300,000
RM0	XA7	37	Renovation of DMH North Center Building	8,870,537	0	0	0	8,870,537
RM0 Total				30,629,703	0	0	0	30,629,703
Office of the Chief Technology Officer								
TO0	N16	01	District Reporting system	10,545,000	0	0	0	10,545,000
TO0	N17	11	IT Security	3,000,000	0	0	0	3,000,000
TO0	N17	12	Seat Management	1,500,000	0	0	0	1,500,000
TO0	N17	13	APEX - DMV Destiny	6,000,000	0	0	0	6,000,000
TO0	N18	01	Facility Improvements	11,300,000	0	0	0	11,300,000
TO0 Total				32,345,000	0	0	0	32,345,000
Grand Total				591,088,046	0	0	0	591,088,046

Table CA-4

Prospective G.O. Bonds Debt Service

	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Existing General Obligation (G.O.) Bonds Debt Services	\$295,376,634	\$299,092,805	\$300,655,848	\$297,752,268	\$297,731,833	297,443,976
Prospective G.O. Bonds Debt Service						
- FY 2003 Bonds (\$299.3 mm)	\$16,907,494	\$23,413,257	\$23,413,257	\$23,413,257	\$23,413,257	\$23,413,257
- FY 2004 Bonds (\$387.4 mm)	\$0	\$30,302,606	\$30,302,606	\$30,302,606	\$30,302,606	\$30,302,606
- FY 2005 Bonds (\$466.8 mm)	\$0	\$0	\$36,517,875	\$36,517,875	\$36,517,875	\$36,517,875
- FY 2006 Bonds (\$290.8 mm)	\$0	\$0	\$0	\$24,951,467	\$24,951,467	\$24,951,467
- FY 2007 Bonds (\$121.9 mm)	\$0	\$0	\$0	\$0	\$10,462,104	\$10,462,104
- FY 2008 Bonds (\$64.0 mm)	\$0	\$0	\$0	\$0	\$0	\$5,491,873
- FY 2009 Bonds (\$64.0 mm)	\$0	\$0	\$0	\$0	\$0	
0						
Total G.O. Bonds Debt Service (Agency DS0)*	\$312,284,128	\$352,808,668	\$390,889,586	\$412,937,473	\$423,379,142	\$428,583,158
Payments on Certificates of Participation (Agency CP0)**	\$4,911,075	\$15,200,000	\$15,200,000	\$15,200,000	\$15,200,000	\$15,200,000
Total Long-term Debt Service***	\$317,195,203	\$368,008,668	\$406,089,586	\$428,137,473	\$438,579,142	\$443,783,158
Interest on Short-term Borrowing (Agency ZA0)	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000
Total Debt Service	\$320,195,203	\$371,008,668	\$409,089,586	\$431,137,473	\$441,579,142	\$446,783,158

* Does not include debt service on G.O. bonds issued to finance water & sewer-related projects, which is paid by the DC Water & Sewer Authority (WASA).

** Each year's figure for CP0 includes \$750,000 for property taxes payable by the District (as Lessee) to the Trustee (as Owner and Lessor), and by the Trustee to the District (as taxing jurisdiction). In effect, the District is paying itself, so there will be revenue to offset this \$750,000 portion of this expenditure line item.

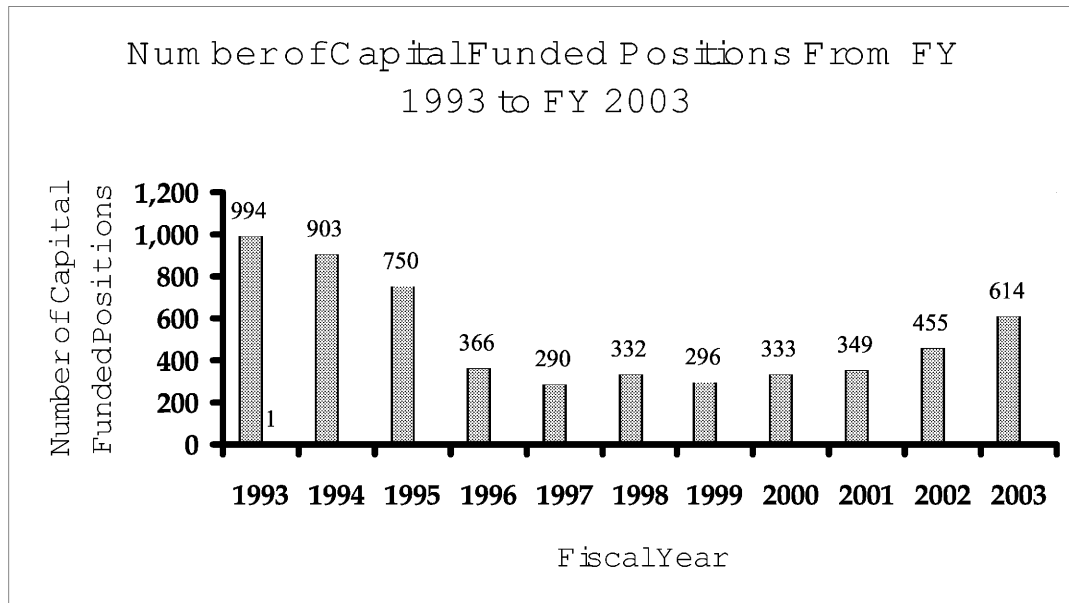
** Includes prospective debt service expenditures associated with the proposed financing of the Unified Communications Center and DC-Net projects with

Certificates of Participation. If this financing occurs, there would be no debt service costs in FY04 and an estimated \$6.3 million annually for 20 years starting in FY05.

*** Does not include debt service on Master Equipment Lease/Purchase Program financing, which appears in the respective operating budgets of the various participating agencies.

Figure CA-5

Number of Capital Funded Positions From FY 1993 to FY 2003



Capital Funded Positions

Designing and implementing capital projects can require specialized labor. In most instances, the personal services (PS) costs associated with these positions are charged to the general fund. However, there are certain circumstances that allow agencies to charge positions against capital projects. For example, the Department of Transportation may hire specific types of construction engineers and project managers to work on a Highway Trust Fund road project and charge them against a capital project. Funding for these types of positions is permissible, as long as the position is contributing to completing the project.

As a result of recent increases in capital investments, the number of capital funded positions has increased by 159 positions or 35 percent over the FY 2003 total.

Figure CA-5 shows that the District has reduced the total number of capital funded positions since 1992. Although there has been a slight increase in positions starting with FY 2000, the District is still 701 positions below its level in FY 1992.

History

The initial roads, bridges, sewers and water systems in the District of Columbia were installed to serve the needs of the federal government and were designed, paid for, and built by Congress. During the 1800s, the population and private economy of the federal District expanded sharply, and the local territorial government undertook a vigorous campaign to meet new demands for basic transportation, water, and sewer systems.

From 1874 to 1968, commissioners who were appointed by the President and confirmed by Congress managed the District. One commissioner, from the Corps of Engineers, was responsible for coordinating the maintenance and construction of all local public works, in accordance with annual budgets approved by the President and the Congress.

Legislation passed in the 1950's gave the District broader powers to incur debt and borrow from the United States Treasury. However, this authority was principally used for bridges, freeways, and water and sewer improvements. In 1967, the need for significant improvements in District public infrastructure was acknowledged.

This awareness led to the adoption of a \$1.5 billion capital improvement program to build new schools, libraries, recreation facilities, and police and fire stations.

A 1984 amendment to the Home Rule Act gave the District the authority to sell general obligation bonds to finance improvements to its physical infrastructure. To date, the District has issued in excess of \$3 billion of general obligation bonds to finance capital improvements.

In September 1997, the President signed the National Capital Revitalization Act (the "Revitalization Act"). The act relieved the District of its operations at Lorton Correctional Facility. It also transferred responsibility for funding the maintenance and operation of the D.C. Courts system to the Office of Management and Budget (OMB). The District will therefore not incur the significant capital expenditures required at these facilities. In return, the District will no longer receive a federal payment in lieu of taxes for these functions.

In addition, the Revitalization Act raised the allowable percent of annual debt service payable from 14 percent to 17 percent of anticipated revenues in order to compensate the District for the loss of the Federal payment. The primary impact of this aspect of the Revitalization Act was to increase the District's flexibility to finance capital requirements.

Legal Authority and Statutory Basis

The District's legal authority to initiate capital improvements began in 1790 when Congress enacted a law establishing the District of Columbia as the permanent seat of the federal government and authorized the design of the District and appropriate local facilities. There are two statutory requirements that form the legal authority and assign responsibility for the District's Capital Program. They are as follows:

District of Columbia Home Rule Act, P.L. 93-198, §444, 87 Stat. 800: The Mayor is directed to prepare a multi-year Capital Improvements Plan for the District. This plan shall be based upon the approved current fiscal year budget. It shall include the status, estimated period of usefulness, and total cost of each capital project on a full funding basis for which any appropriation is

requested or any expenditure will be made in the forthcoming fiscal year and at least four fiscal years thereafter.

District of Columbia Appropriations Act, 2004, P.L. 107- 096, §108. (Approval December 21, 2001:) Requires the Mayor to develop an annual plan by project, for capital outlay borrowings.

Along with these statutory requirements, a Mayor's Order supplements the legal authority and assigns additional responsibility for the District's Capital Program.

Mayor's Order 84-87 creates within the Office of Budget and Planning a Capital Program coordinating office to provide central oversight, direction, and coordination of the District's capital improvements program, planning, budgeting, and monitoring. The administrative order requires the Office of Budget and Planning to develop a CIP which identifies the current fiscal year budget and includes status, estimated period of usefulness, and total cost of each capital project on a fully funded basis for which any appropriation is requested or any expenditure will be made over the next six years. The CIP includes:

An analysis of the CIP, including its relationship to other programs, proposals, or other governmental initiatives.

An analysis of each capital project, and an explanation of a project's total cost variance of greater than five percent.

Identification of the years and amounts in which bonds would have to be issued, loans made, and costs actually incurred on each capital project. Projects are identified by applicable maps, graphics, or other media.

Why A Capital Improvements Program?

The District of Columbia's Capital Improvements Program (the "Capital Program") comprises the financing, acquisition, development and implementation of permanent improvement projects for the District's fixed assets. Such assets generally have a useful life of more than three years and cost more than \$250,000. The development of these projects is presented in the Capital Improvements Plan

(CIP) a comprehensive, annually updated, six-year plan for the development, modernization or replacement of city-owned facilities and infrastructure. The CIP consists of the appropriated budget authority request for the upcoming fiscal year and projected funding/expenditure plans for the following five years. In most years, the major portion of capital authority goes toward improvements or applicable activities for streets, bridges, government facilities, public schools, and recreational projects.

The CIP is an important planning and management resource. It analyzes the relationship of projects in the capital budget to other developments in the District. It also describes the programmatic goals of the various District agencies and how those goals impact upon the need for new, rehabilitated or modernized facilities. Finally, it details the financial impact and requirements of all the District's capital expenditures. The CIP is updated each year by adding a planning year, and reflecting any necessary changes in projected expenditures schedules, proposed projects, and District priorities. However, consistent with rigorous strategic planning, substantial changes in the program are discouraged.

The CIP is the basis for formulating the District's annual capital budget. The District Council and the U.S. Congress adopt the budget as part of the District's overall six-year CIP. Following approval of the capital budget, Bond Act(s) and Bond Resolution(s) are adopted to finance the majority of projects identified in the capital budget. Inclusion of a project in a congressionally adopted capital budget and approval of requisite financing gives the District the authority to spend funds for each project in the first year of the CIP. The remaining five years of the program, called the out-years, show the official plan for making future improvements to District-owned facilities.

The primary funding source for capital projects is tax-exempt bonds. These bonds are issued as general obligations of the District. Debt service on these bonds (the payment of interest over the lifetime of the bonds) becomes an expenditure in the annual Operating Budget.

Congress sets certain limits on the total amount of debt that can be incurred (currently

17 percent of general fund revenues) in order to maintain fiscal stability and good credit ratings. As a result, it is critical that the CIP balance funding and expenditures over the six-year period to minimize the fiscal impact on the annual Operating Budget.

Principles of the Capital Program

Eight budgetary and programmatic principles guide the development and implementation of the District's CIP. These are:

- To build facilities supporting the District stakeholders' objectives.
- To support the physical development objectives incorporated in approved plans, especially the Comprehensive Plan.
- To assure the availability of public improvements.
- To provide site opportunities to accommodate and attract private development consistent with approved development objectives.
- To improve financial planning by comparing needs with resources, estimating future bond issues plus debt service and other current revenue needs, thus identifying future operating budget and tax rate implications.
- To establish priorities among projects so that limited resources are used to the best advantage.
- To identify, as accurately as possible, the impact of public facility decisions on future operating budgets, in terms of energy use, maintenance costs, and staffing requirements among others.
- To provide effective public participation a concise, central source of information on all planned rehabilitation of public facilities for citizens, agencies, and other stakeholders in the District.
- To provide a basis for in decisions related to public facilities and other physical improvements.

It is the responsibility of the Capital Program to ensure that these principles are followed in every capital project.

Capital Improvements Plan Development Process

The Capital Program, as mandated by Public Law 93-198 - the Home Rule Act, has the annual responsibility of formulating the District's Six-Year Capital Improvements Plan. Each District agency is responsible for the initial preparation and presentation of an agency specific plan. Under the program, projects should complement the planning of other District agencies and must constitute a coordinated, long-term program to improve and effectively use the capital facilities and agency infrastructure. Specifically, the CIP should substantially conform to the Office of Planning's Comprehensive Plan, the District of Columbia Municipal Regulations Title 10 Planning and Development (Chapters 1 to 11).

Program Participants

The development and implementation of the CIP is a coordinated effort among the District's programmatic, executive, and legislative/oversight bodies. The participants include:

- **User Agencies.** CIP expenditure plans and capital budget requests are developed at the agency level. User agencies must review their agency's strategic plan, replacement schedules, condition assessment, specific projects, construction costs, and time schedules. Agencies then submit their proposed project requests and analysis to the Office of Budget and Planning for review. User agencies are responsible for:
 - Monitoring the condition of a capital facility and the supporting infrastructure.
 - Understanding the capital program requirements and acting within those requirements to maintain the condition of its facility.
 - Appointing a Capital Liaison Officer who develops the agency's capital plan, prepares the budget request, and modifies financing proposals throughout the year.
- **Implementing Agencies.** Implementing agencies manage actual construction and installation of a capital facility or supporting

infrastructure. The implementing agencies are responsible for the execution of projects. This task includes the appointment of a Capital Financial Officer, who monitors the progress of the projects, and ensures:

- The original intent of the project is fulfilled as Congressionally approved.
 - The highest priority projects established by the user agency are implemented first.
 - Financing is scheduled for required expenditures.
 - Historically, the Office of Property Management is the implementing agency for over 90 percent of the projects in the CIP.
-
- **Office of Budget and Planning.** The Office of Budget and Planning (OBP) is responsible for issuing budget call instructions to District agencies. OBP provides technical direction to agencies for preparing expenditures plans, project/subproject justifications, priority ranking factors, operating budget impacts, cost estimates, milestone data and performance measures. The budget call allows for updates to ongoing projects and requests for additional financing and appropriated budget authority for ongoing and new projects. OBP coordinates project evaluations to determine agency needs through careful analysis of budget request data, review of current available and future financing requirements, and comparison of project financial needs with the current bond sales and general fund subsidies anticipated to be available for CIP purposes.
- **Budget Review Team.** The City Administrator chairs the Budget Review Team (the BRT) with representatives from the Office of the City Administrator, Chief Financial Officer, Deputy CFO for Budget and Planning, Deputy CFO for Finance and Treasury, Deputy Mayors and Mayor's Chief of Staff. The advisors to the team are the Directors of the Office of Property Management, Office of Planning and the Office of the Chief Technology Officer. The Office of Budget and Planning provides

analysis and all staff support to the BRT. The Budget Review Team evaluates agency requests using criteria developed by the Office of Budget and Planning.

- **Mayor.** The BRT recommendation is then submitted to the Mayor for review, approval and transmittal to the Council. This fiscal year, or in a control year, the BRT's recommendation is submitted to the Mayor and Council for joint review and consensus approval.
- **Council, Budget Review Team, and Congress.** There are two levels of legislative/oversight review. They are as follows:
 - The Council of the District of Columbia (the Council)
 - The Congress of the United States (the Congress)
 - Each body reviews and approves the capital budget and the six-year plan.

Authorizing Projects in the CIP

The OBP reviews and analyzes the CIP with the assistance of the Budget Review Team. The CIP is developed in the four-step process described below :

Steps 1: Budget Call

In the fall of the current fiscal year, District agencies are requested to provide the OBP with updated information regarding on going projects (increases or decreases in funding or planned expenditures), as well as requests for new projects. The instructions call for agencies to provide detailed information on a project's expenditure requirements, physical attributes, implementation timeframe, feasibility, and community impact. In addition, agencies provide project milestones, estimated costs, expenditure plans, Operating Budget impacts and a prioritized list of potential capital projects. The agency requests are disseminated to all members of the Budget Review Team for review.

Step 2: Budget Analysis

Project requests submitted in Step 1 undergo a thorough analysis to determine if agency requests

merit inclusion in the District's CIP. This analysis is divided into the following three primary functions:

Function 1 - Project Justification: Each project request is evaluated by the BRT to determine its relationship with the agency's overall mission; whether the project is duplicative of efforts of another agency's on going project; whether the project is in concurrence with the District's Comprehensive Plan; and whether the planned expenditure is an operating rather than capital expense.

In addition, project requests are reviewed based on priority criteria and must meet one or more of the factors below :

- Health/Safety
- Legal Compliance
- Efficiency Improvement
- Facility Improvement
- Revenue Initiative
- Economic Development
- Project Close-out

Function 2 - Cost Analysis: An important factor in the evaluation of a project request is the overall cost it will incur. Cost estimates are developed in conjunction with the Department of Public Works and the Office of Property Management to validate the project costs proposed in the agency submissions. Furthermore, future operating costs are estimated in order to provide supplementary information regarding out-year liabilities once the project is implemented (Operating Budget Impacts).

Function 3 - Financing Analysis: The Office of the Chief Financial Officer is committed to finance capital projects in a manner in which:

- Funding is committed for the entire CIP
- The District receives the lowest cost of funding available
- The useful life of capital projects matches and does not exceed the average maturity of the liability used to finance the assets

As such, the OBP reviews the useful life of each project and presents this information to the Office of Finance and Treasury (OFT). OFT develops a strategy to match the underlying assets with an appropriate means of financing.

Step 3: Budget Review Team Recommendations

The BRT formulates a recommendation in the form of a CIP. The team's recommendation is then submitted to the Mayor for review, approval and transmittal to the Council.

Step 4: Approval

After reviewing all capital project requests with regard to scope of work, projected cost, and financing alternatives, the BRT evaluates the projects based on their physical attributes, implementing feasibility, and physical/economic impact on the community. The BRT then formulates a recommendation in the form of a CIP. The proposed Capital Improvements Plan is then submitted to the Mayor and Council for approval and then to Congress for final congressional approval.

Phases of a Capital Project

It is assumed that all capital projects are actually the sum of a series of sections, grouping types of tasks necessary to accomplish the project's goal. These sections are defined as phases. Each project in the CIP is approved and budgeted for five phases. However, in some instances, projects need funding for planned expenditures only in one particular phase, such as major equipment acquisition. Phases are referenced numerically and alphabetically, and are:

1. Design includes all work completed to define the scope and content of the project. Architects and engineers that agencies employ to analyze the planning for a project would be funded from the design phase. Costs associated with solicitations and proposals also fall within this phase. This phase also would be used to fund any processes necessary for selection of contracts.
2. Site Acquisition covers costs for site preparation expenses, legal work or probable demolition and hauling expenses. Site appraisal and survey also would be funded through this phase.
3. Project Management pays all internal agency management and support costs

from design to construction. Activities within this phase include any work of the project manager and other staff.

4. Construction includes any construction contract work done by other District agencies. This phase funds work on a particular construction contract.
5. Equipment funds disbursements for specialized equipment. Equipment funded through capital has to be permanently connected to the physical plant designed as an integral part of the facility. Equipment defined for funding by this phase includes such items as the purchase and installation of elevators, boilers, generators, and HVAC systems. The Capital Program will not fund office equipment or personal computers. These are funded by the operating budget.

Project Milestones

Each phase of a project is monitored and tracked using "milestone" data. This lets the Capital Program determine if projects are being completed on time and within budget. Milestone data is provided by agencies in the quarterly Financial Review Process (FRP) and in the annual budget submissions as justification for additional funding.

Milestone data includes such items as project authorization dates, original project cost estimates, contract award dates, revised completion dates, construction start dates and others. In an attempt to summarize the various elements of milestone data, the Capital Program includes status codes in the project description forms

Managing the Capital Program

There are two primary drivers in the development of the FY 2004 – FY 2009 CIP. First, prudent debt management policies that cap what can be spent. Second, the need for capital investment in the District is greater than the available resources.

Debt Management

There are several guiding principles in managing the District's Capital Improvement Program and

the associated debt.

- Amount of debt issued in any given fiscal year should not exceed 15 percent of the total current outstanding debt as of the end of the previous fiscal year.
- Debt issuance should not cause the District's per capita debt to exceed \$7,500.
- Debt issuance should not cause the debt limit ratio (maximum annual debt service to total local revenue) to exceed 13 percent (by law, it cannot exceed 17 percent in any given year).

These principles play an important role in determining the amount of debt to be issues and thus in determining how much funding will be available for investment in the District's infrastructure. Each \$15 million of new bond issuance results in approximately \$1 million in debt service costs in subsequent years' operating budgets. The per capita debt – or the debt ratio – shows that the District has a significantly higher debt ratio than several major cities, almost on par with New York City.

Policies Governing the Capital Improvement Program

Program Policies

The overall goal of the Capital Program is to maintain the District's infrastructure. Pursuant to this goal, projects included in the FY 2004 to FY 2009 CIP and FY 2004 Capital Budget support the following programmatic policies:

- Provide for the health, safety and welfare needs of District residents.
- Provide and continually improve public educational facilities for District residents.
- Provide adequate improvement of public facilities.
- Continually improve the District's public transportation system.
- Minimize the per-capita debt of the District's residents.
- Support District economic and revitalization efforts generally and in targeted neighborhoods.
- Provide infrastructure and other public improvements that retain and expand busi-

ness and industry.

- Increase employment opportunities for District residents.
- Promote mutual regional cooperation on area-wide issues, such as the Washington Area Metropolitan Transit Authority, Water and Sewer Authority, and solid-waste removal.
- Provide and continually improve public housing and shelters for the homeless.

Fiscal Policy

Policy on Project Eligibility for Inclusion in the Capital Improvements Plan (CIP)

Capital expenditures included as projects in the CIP must:

- Be carefully planned, generally as part of the District-wide Facility Condition Assessment Study in concert with the Comprehensive Plan. This provides decision-makers with the ability to evaluate projects based on a full disclosure of information.
- Have a useful life of at least three years or add to the physical infrastructure and capital fixed assets.
- Enhance the productivity or efficiency capacity of District services.
- Have a defined beginning and a defined ending.
- Be related to current or potential projects. For example, facility planning or major studies should be funded with current revenues.

Policy on Debt Financing

With a few exceptions (Highway Trust Fund projects), the CIP is primarily funded with general obligation bonds or equipment lease/purchase obligations. Capital Improvement projects usually have a long useful life and will serve taxpayers in the future as well as those paying taxes currently. It would be an unreasonable burden on the current taxpayers to pay for the entire project up front. General obligation bonds, retired over a 20 to 30-year period, allow the cost of capital projects to be shared by current and future taxpayers, which is reasonable and fair. Capital improvement projects eligible for debt financing must::

Have a combined average useful life at least as

long as average life of the debt with which they are financed.

Not be able to be funded entirely from other potential revenue sources, such as Federal aid or private contributions.

Policy on Capital Debt Issuance

In formalizing a financing strategy for the District's Capital Improvements Plan, the District adheres to the following guidelines in deciding how much additional debt, both general obligation and revenue bonds, may be issued during the six-year CIP planning period:

STATUTORY REQUIREMENTS: The issuance of general obligation indebtedness cannot cause maximum annual debt service to exceed 17 percent of general fund revenues as stipulated in the Home Rule Act.

AFFORDABILITY: The level of annual operating budget resources available to pay debt service should not impair the District's ability to fund ongoing expenditures and maintain operating liquidity.

FINANCING SOURCES: Evaluating varying financing sources and structures to maximize capital project financing capacity at the lowest cost available, while maintaining future financing flexibility.

CREDIT RATINGS: Issuance of additional debt should not negatively impact the District's ability to maintain and strengthen current credit ratings, which involves the evaluation of the impact of additional debt on the District's debt burden. This includes having certain criteria and ceilings regarding the issuance of new debt and the ratios of debt per capita and debt service to local revenues.

Policy on Terms for Long-Term Borrowing

To mitigate the interest costs associated with borrowing, the District seeks to identify sources other than bond proceeds to fund its CIP, such as grants, Highway Trust Fund moneys, and Paygo capital. Furthermore, the District issues its bonds annually based on the anticipated spending for the fiscal year, not on a project-by-project

basis. The District has issued only general obligation bonds to finance its CIP in the past, but will continue to analyze the potential benefits associated with the issuance of revenue bonds for general capital purposes in the future. The pledge of a specific revenue source for the issuance of revenue bonds must not have a negative impact on the District's general fund or general obligation bond ratings, and must provide favorable interest rates.

To match the debt obligations with the useful life of the projects being financed, the District issues short to intermediate-term financing for those projects that may not fit the criteria for long term financing. The District amortizes bonds over a 25 to 30-year period for those projects with an average 30-year useful life.

Bonds may be issued by independent agencies or instrumentalities of the District as authorized by law. Payment of the debt service on these bonds is solely from the revenue of the independent entity or the project being financed.

Policy on Terms for Short-Term (Interim) Borrowings

The District may issue other forms of debt as appropriate and authorized by law, such as bond anticipation notes (BANs) and commercial paper. The use of BANs or commercial paper provides a means of interim financing for capital projects in anticipation of future bond offering or other revenue takeout. Furthermore, these types of interim financing tools allow the District to benefit from lower interest costs by including short-term financing of capital expenditures in the initial financing structure. The use of BANs and/or commercial paper is intended at such times that it is financially feasible.

Policy on the use of the Master Equipment Lease/Purchase Program

The purpose of the Master Equipment Lease/Purchase Program (the Program) is to provide District agencies with access to low-cost tax-exempt financing for equipment purchases, as an alternative to outright purchases, which would have a higher cost in the current year's budget, or other more expensive leasing or financing

arrangements. Furthermore, the Program assists the District in its assets/liability management by matching the useful life of the asset being financed to the amortization of the liability.

The Program terms and conditions are established under an "umbrella" contract. Since the terms and conditions are established up-front, there is no need to negotiate a new lease contract each time equipment is to be financed, as long as the master lease agreement is in effect.

For equipment to be eligible it must have a unit value of at least \$25,000. In addition, it must have a useful life of at least five years. The repayment (amortization) will not exceed the useful life of the equipment being financed. The maximum financing term that may be requested is 10 years.

Rolling stock such as automobiles, trucks, and public safety vehicles are eligible, as well as computer hardware and software, with certain limitations.

Policy on the Use of Pay-as-you-go Financing

"Pay-as-you-go" (Paygo) financing is obtained from current revenues authorized by the annual Operating Budget and approved by the Council and the Congress in a public law to pay for certain projects. No debt is incurred with this financing mechanism. Once the public law becomes effective, the operating funds are transferred to the capital account and allocated to the appropriate project. Generally, Paygo financing supports the costs for minor repairs, equipment purchases, or other items that do not qualify for long-term general obligation bond financing. The Mayor has the following policies on the use of Paygo financing:

Paygo must be used for any CIP project not eligible for debt financing by virtue of its limited useful life.

Paygo should be used for CIP projects consisting of short-lived equipment replacement (not eligible for the Master Equipment Lease Purchase Program), and for limited renovations of facilities.

Paygo may be used when the requirements for capital expenditures press the limits of bonding capacity.

Congressional Appropriations

Notwithstanding any other provisions in the law, the Mayor of the District of Columbia is bound by the following sections of the D.C. Appropriations Act, 2000 included in P.L. 105-277 of the Omnibus Consolidated and Emergency Supplemental Appropriations for Fiscal Year 2000. These sections were mandated by the 105th Congress to be enacted for the fiscal year beginning October 1, 2000.

- §113 At the start of the fiscal year, the Mayor shall develop an annual plan, by quarter and by project, for capital outlay borrowings: Provided, that within a reasonable time after the close of each quarter, the Mayor shall report to the Council of the District of Columbia and to the Congress the actual borrowings and spending progress compared with projections.
- §114 The Mayor shall not borrow any funds for capital projects unless the Mayor has obtained prior approval from the Council of the District of Columbia, by resolution, identifying the projects and amounts to be financed with such borrowings.
- §115 The Mayor shall not expend any moneys borrowed for capital projects for the operating expenses of the District of Columbia government.

Trends Affecting Fiscal Planning

Several different kinds of trends and economic indicators are reviewed, projected, and analyzed each year for their impact on the Operating Budget and for their impact on fiscal policy as applied to the Capital Improvements Plan. These trends and indicators include:

INFLATION: Important as an indicator of future project costs or the costs of delaying capital expenditures.

POPULATION GROWTH/DECLINE:

Provides the main indicator of the size or scale of required future facilities and services, as well as the timing of population-driven project requirements.

DEMOGRAPHIC CHANGES: Changes in the number and/or locations within the District of specific age groups or other special groups, which provides an indication of requirements and costs of specific public facilities (i.e., senior wellness centers and recreation centers).

PERSONAL INCOME: The principal basis for projecting income tax revenues as one of the District's major revenue sources.

IMPLEMENTATION RATES: Measured through the actual expenditures within programmed and authorized levels, implementation rates are important in establishing actual annual cash requirements to fund projects in the CIP. As a result, implementation rates are a primary determinant of required annual bond issuance.

Spending Affordability

One of the most important factors in the CIP development process is determining spending affordability. Spending affordability is determined by the amount of debt service and Paygo capital funds that can be reasonably afforded by the Operating Budget, given the District's revenue levels, operating/service needs, and capital/infrastructure needs. The size and financial health of the capital program is therefore somewhat constrained by the ability of the Operating Budget to absorb increased debt service amounts and/or operating requirements for capital expenditures. Realizing that maintenance and improvement in the District's infrastructure is important to the overall health and revitalization of the District, policymakers have worked diligently over the past several years to increase the levels of capital funding and expenditures. Debt reduction efforts on the part of District policymakers and financial leadership have served to increase the affordability of such additional capital spending. There is the on-going need, however, to balance the infrastructure needs with the spending affordability constraints.

Financial Management Targets

The District has established certain financial management targets that are consistent with maintaining a healthy debt management pro-

gram to finance its capital needs. Key targets include the following:

- Reduction, or containment of increase, of outstanding debt and debt service
- Debt ratios comparable with industry standards
- Achieving further increases in bond ratings from all three major rating agencies (to the "A" level).

Financial Management Target: Reduction, or Containment of Increase, of Outstanding Debt and Debt Service

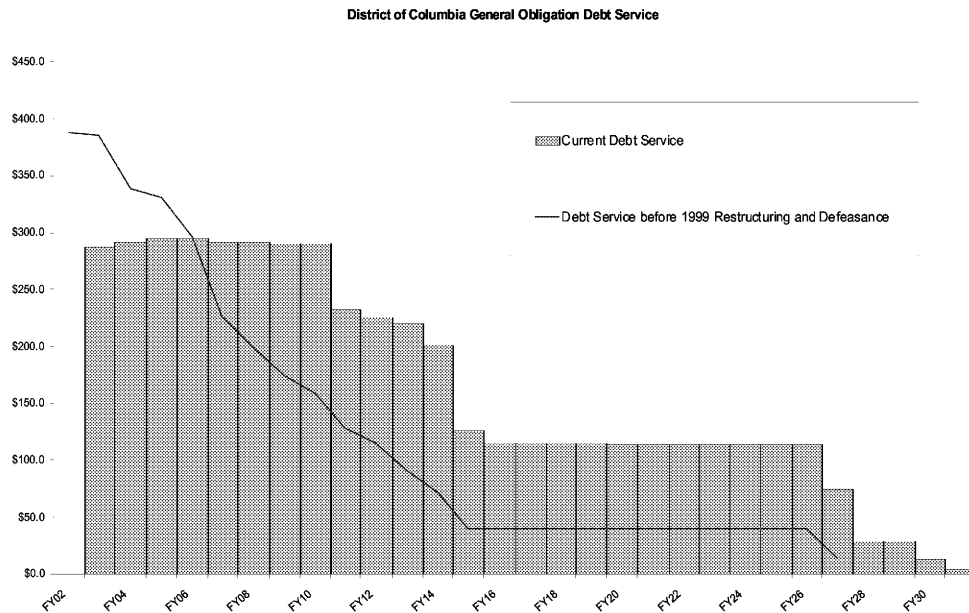
The District has amortized most of its bond issues over 20 years. In addition to this amortization structure, the District financed an operating deficit in 1991 with an intermediate term (12-year) repayment structure. Only within the last several fiscal years has the District amortized its bonds over 25 to 30 years to better match the useful life of the assets being financed. The former amortization structures caused the District's debt service to be heavily front-loaded, creating a strain on the District's operating budget.

In FY 1999, the District restructured its debt in order to adjust this heavily front-loaded debt amortization. This restructuring, which moved some of the near-term debt service out to future years, produced debt service and operating budget relief through FY 2005.

In FY 2000 and in FY 2003, the District issued a total of \$339 million of variable-rate bonds to fund approved capital projects. Variable-rate bonds typically provide a lower cost of capital than fixed-rate bonds. For this reason, despite the inherent fluctuation in the debt service on them, it is desirable to have some portion of the District's debt portfolio as variable-rate. The District's target percentage range for variable-rate debt is 10 to 15 percent of the total debt portfolio. The current amount of variable-rate debt outstanding equals approximately 11 percent of the total.

In FY 2001, the District significantly reduced its outstanding general obligation debt by securitizing the revenues that it is due to receive over the next 30 years as a result of the national settlement with the manufacturers of tobacco products (the Master Settlement Agreement). The District established a separate instrumentality,

Figure CA -6



the Tobacco Settlement Financing Corporation (the Corporation), which issued bonds backed by the District's future tobacco settlement revenues (TSRs). This transaction represents the District selling its rights to these TSRs (to the Corporation) in exchange for an up-front lump-sum payment (represented by the proceeds of the bond sale). These bonds are not debt of the District, however. They represent debt of the Corporation—revenue bonds payable solely from TSRs to be received by the Corporation in the future. Through this transaction, the District transferred the risk associated with non-receipt of TSRs in the future. The bond proceeds from transaction were used to pay off outstanding debt of the District. Specifically, the District reduced its outstanding debt by \$482 million by applying these bond proceeds to pay off outstanding general obligation bonds. This resulted in debt service savings totaling approximately \$684 million over 14 years, for an average of roughly \$50 million of debt service savings per year.

In addition, in accordance with a Congressional requirement, the District used \$35 million of its fund balance in FY 2000 to pay off outstanding general obligation bonds.

Through the transactions described above, the District significantly reduced and restructured its outstanding debt and the associated debt service payments to be made from the District's operating budget. Additional borrowing to fund on-going capital improvements over the past few years have naturally increased the outstanding debt and debt service, and the current CIP will result in further increases; however, these increasing levels will be continually monitored and contained within certain policy limits in the process of managing the debt burden and the affordability associated with the District's debt. Figure CA-6 depicts the changes in the District's debt amortization and debt service over past several years.

Financial Management Target Debt Ratios Comparable with Industry Standards and within Debt Management Policy Parameters

Three debt ratios that are typically used as measures of a jurisdiction's debt burden are Debt-to-Full Value (property value); Debt Service-to-General Fund Expenditures; and Debt-Per-Capita. As Table CA-5 (on the following page)

Table CA-5

DEBT RATIOS

Debt Measures*	District of Columbia	Baltimore	Chicago	Detroit	San Antonio	New York	Philadelphia
Net Overall Debt to Full Value	5.1%	2.4%	6.1%	12.3%	1.9%	10.2%	16.2%
Net Overall Debt per Capita	\$4,678	\$719	\$3,502	\$986	\$554	\$5,372	\$4,230
Debt Service as % of total GF Expenditures	7.8%	9.6%	17.6%	8.8%	16.0%	6.5%	6.4%

Sources: FY 2002 year-end results for District of Columbia and New York City; FY 2001 CAFR for all others (most recent available).

indicates, the District's debt ratios are comparable with those of other major municipalities, and in some cases substantially better than these jurisdictions. In terms of Debt Per Capita, one of the reasons that the District's ratio is relatively high is that for years it has funded capital projects that are typically funded by states. Notwithstanding this fact, the District intends to continually monitor its debt ratios with the goal of having them be comparable or favorable in relation to other major municipalities and rating agency benchmarks. Moreover, the District has established certain debt management policy parameters for its debt ratios in order to effectively manage its debt burden over the long term. These parameters provide that the District should not exceed: a debt service-to-general fund expenditures ratio of 10%; a maximum annual debt service to total local revenues ratio (the debt limit ratio-legally capped at 17%) of 13%; a debt-per-capita of \$7,500; and a debt-to-full value ratio of 10%. There is sufficient capacity within these policy parameters to issue the additional debt necessary to fund the District's proposed FY 2004 CIP.

Financial Management Target: Improving Bond Ratings from All Three Major Rating Agencies

Credit ratings evaluate the credit worthiness of a jurisdiction and the credit quality of the notes and bond the jurisdiction issues. Specifically, credit ratings are intended to measure the probability of the timely repayment of principal and interest on notes and bonds issued

by the District. Potential investors utilize credit ratings to assess their repayment risk in loaning the District funds for capital and short-term operating needs.

There are three major agencies that rate the District's debt: Fitch IBCA, Inc., Moody's Investors Service, and Standard & Poor's Corporation (S&P). A summary of agency credit ratings categories for long-term debt is provided Table CA-6.

During FY 1995, the District's general obligation debt was downgraded by all three rating agencies to "below-investment-grade" or "junk bond" levels. Since 1998, each rating agency has issued a series of upgrades to the District's bond rating. The upgrades that occurred in 1999 raised the District's ratings back to "investment-grade" levels (Table CA-7). In FY 2001, the District received further upgrades by S&P, Moody's, and Fitch to BBB+, Baa1, and BBB+, respectively, as a result of the continued improvement in the District's financial condition. The upgrades in the bond ratings by these agencies made the District's bonds more marketable, hence resulting in a lower cost of capital to the District. One of the District's targets is to have its general obligation bond ratings raised to the "A" level by these rating agencies.

The agencies currently rate the District's long-term general obligation bonds, and other major cities' bonds, as follows:

Information considered when assessing the District's credit quality include:

- Economic base

Table CA-6

Summary Rating Agency Credit Ratings for Long-term Debt

Investment Attributes	Fitch IBCA	Moody's	Standard and Poor's
Highest Quality	AAA	Aaa	AAA
High Quality	AA	Aa	AA
Favorable Attributes	A	A	A
Medium Quality/Adequate	BBB	Baa	BBB
Speculative Elements	BB	Ba	BB
Predominantly Speculative	B	B	B
Poor Standing	CCC	Caa	CCC
Highly Speculative	CC	Ca	CC
Lowest Rating	C	C	C

Source: Public Finance Criteria for Fitch, IBCA, Moody's Investor Service and Standard and Poor's Corporation

- Financial performance
- Management structure
- Demographics
- Debt burden

Credit ratings are very important to the Capital Program. They affect the District's cost of capital, as well as represent an assessment of the District's financial condition. The cost of capital also plays a role in determining spending affordability. Higher costs for capital financing diminish the ability of the Capital Program to proceed with programmatic objectives. In short, higher costs for capital results in fewer bridges rehabilitated, roofs repaired and facilities renovated. On the other hand, lower costs of capital increase the affordability of such projects.

Major Assumptions

A number of assumptions must be established to develop a comprehensive Capital Improvement

Plan budget. Due to the unique and changing nature of the District's organizational structure and financial position, it is difficult to precisely forecast revenues, expenditure patterns, costs, and other key financial indicators. Nonetheless, the following two assumptions were used to develop this CIP:

1. The capital expenditure target for the FY 2004 to FY 2009 CIP is based on the assumption that the District can meet its FY 2004 Operating Budget current and future expenditure targets as established by the CIP.
2. The FY 2004 Operating Budget will be sufficient to provide for:
 - Lease payments for the District's Master Lease Program used to finance certain equipment projects.
 - Debt service on long-term bond financing.

Table CA-7

Summary Rating Agency Credit Ratings of Long-term Debt

Municipalities	Fitch IBCA	Moody's	Standard and Poor's
District of Columbia	BBB+	Baa1	BBB+
Baltimore	A+	A1	A
New York	A+	A2	A
Philadelphia	A-	Baa1	BBB
Detroit	A	Baa1	A-
San Antonio	AA+	Aa2	AA+
Chicago	AA-	A1	A+